

CITY OF OKOBOJI

**INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2016

CITY OF OKOBOJI
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CITY OF OKOBOJI

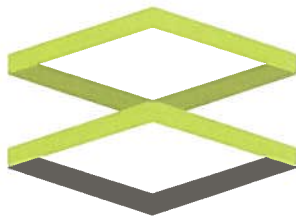
CITY OFFICIALS

BEFORE JANUARY 1, 2016

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Mary Vander Woude	Mayor	December 31, 2015
Julie Andres	Council Member	December 31, 2017
Jim Delperdang	Council Member	December 31, 2015
Jim Hentges	Council Member	December 31, 2015
Jerry Robinson	Council Member	December 31, 2017
Walter Mendenhall	Council Member	December 31, 2017
Dennis Daly	City Administrator / Clerk	December 31, 2016
David J. Stein, Jr.	City Attorney	December 31, 2016

AFTER JANUARY 1, 2016

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Mary Vander Woude	Mayor	December 31, 2017
Julie Andres	Council Member	December 31, 2017
Jim Delperdang	Council Member	December 31, 2019
Jim Hentges	Council Member	December 31, 2019
Jerry Robinson	Council Member	December 31, 2017
Walter Mendenhall	Council Member	December 31, 2017
Dennis Daly	City Administrator / Clerk	December 31, 2016
David J. Stein, Jr.	City Attorney	December 31, 2016



WINTHER STAVE & CO | LLPTM
Certified Public Accountants

1316 West 18th Street
P.O. Box 175
Spencer, Iowa 51301-0175
Phone 712-262-3117
FAX 712-262-3159

www.winther-stave.com

1004 21st Street #4
P.O. Box 187
Milford, Iowa 51351-0187
Phone 712-338-2488
FAX 712-338-2510

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Okoboji
Okoboji, IA 51355

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business type activities and each major fund of the primary government of the City of Okoboji, Iowa, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but

not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, and each major fund for the primary government of the City of Okoboji as of June 30, 2016 and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purposes of forming opinions on the financial statements that collectively comprise the basic financial statements of the primary government of the City of Okoboji. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 21 through 27, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2016 on our consideration of the City of Okoboji's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Okoboji's internal control over financial reporting and compliance.

Winther, Starnes Co., LLP

December 5, 2016
Spencer, Iowa

BASIC FINANCIAL STATEMENTS

CITY OF OKOBOJI
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

			Program Receipts	
			Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest
	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Restricted Interest</u>	<u>Restricted Interest</u>
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Public safety	\$ 395,357	\$ -	\$ 200	\$ -
Public works	228,176	9,390	99,728	-
Culture and recreation	27,740	-	-	-
Community and economic development	307,280	-	-	-
General government	404,388	-	-	-
Debt service	592,138	-	-	-
Capital projects	285,418	-	-	-
Total governmental activities	<u>2,240,497</u>	<u>9,390</u>	<u>99,928</u>	<u>-</u>
Business type activities:				
Water	813,330	758,044	-	-
Total business type activities	<u>813,330</u>	<u>758,044</u>	<u>-</u>	<u>-</u>
TOTAL	<u>\$ 3,053,827</u>	<u>\$ 767,434</u>	<u>\$ 99,928</u>	<u>\$ -</u>

GENERAL RECEIPTS:

Property and other City tax levied for:	
General purposes	
Debt service	
Commercial and industrial replacement ..	
Tax increment financing	
Local option sales tax	
Hotel/motel tax	
Unrestricted interest on investments	
Bond proceeds	
Miscellaneous	
Total general receipts	

Change in cash basis net position

Cash basis net position - beginning of year

Cash basis net position - end of year

CASH BASIS NET POSITION:

Restricted, expendable:	
Streets	
Urban renewal purposes	
Debt service	
Capital projects	
Unrestricted	

Total cash basis net position

Net (Disbursements) Receipts and Changes in
Cash Basis Net Position

Governmental Activities	Business type Activities	Total
\$ (395,157)	\$ -	\$ (395,157)
(119,058)	-	(119,058)
(27,740)	-	(27,740)
(307,280)	-	(307,280)
(404,388)	-	(404,388)
(592,138)	-	(592,138)
(285,418)	-	(285,418)
<u>(2,131,179)</u>	<u>-</u>	<u>(2,131,179)</u>
-	(55,286)	(55,286)
-	(55,286)	(55,286)
<u>(2,131,179)</u>	<u>(55,286)</u>	<u>(2,186,465)</u>

903,990	-	903,990
530,659	-	530,659
25,227	-	25,227
63,476	-	63,476
190,747	-	190,747
256,182	-	256,182
5,237	-	5,237
390,000	95,000	485,000
118,833	11,224	130,057
<u>2,484,351</u>	<u>106,224</u>	<u>2,590,575</u>
353,172	50,938	404,110
<u>639,978</u>	<u>738,134</u>	<u>1,378,112</u>
<u>\$ 993,150</u>	<u>\$ 789,072</u>	<u>\$ 1,782,222</u>

\$ 73,106	\$ -	\$ 73,106
20,666	-	20,666
53,315	-	53,315
53,082	-	53,082
<u>792,981</u>	<u>789,072</u>	<u>1,582,053</u>
<u>\$ 993,150</u>	<u>\$ 789,072</u>	<u>\$ 1,782,222</u>

CITY OF OKOBOJI
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

		Special Revenue	
	General	Road Use Tax	Urban Renewal Tax Increment
RECEIPTS:			
Property tax	\$ 903,990	\$ -	\$ -
Tax increment financing	-	-	63,476
Other city tax	461,272	-	-
Licenses and permits	28,134	-	-
Use of money and property	5,237	-	-
Intergovernmental	200	99,728	-
Charges for service	9,390	-	-
Miscellaneous	90,699	-	-
TOTAL RECEIPTS	<u>1,498,922</u>	<u>99,728</u>	<u>63,476</u>
DISBURSEMENTS:			
Operating:			
Public safety	395,357	-	-
Public works	169,266	58,910	-
Culture and recreation	27,740	-	-
Community and economic development	307,280	-	-
General government	404,388	-	-
Debt service	-	-	60,600
Capital projects	-	-	-
TOTAL DISBURSEMENTS	<u>1,304,031</u>	<u>58,910</u>	<u>60,600</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>194,891</u>	<u>40,818</u>	<u>2,876</u>
OTHER FINANCING SOURCES:			
Bond proceeds	-	-	-
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>-</u>
CHANGES IN CASH BALANCES	194,891	40,818	2,876
CASH BALANCES- BEGINNING OF YEAR	<u>598,090</u>	<u>32,288</u>	<u>17,790</u>
CASH BALANCES- END OF YEAR	<u>\$ 792,981</u>	<u>\$ 73,106</u>	<u>\$ 20,666</u>
CASH BASIS FUND BALANCES:			
Restricted for:			
Streets	\$ -	\$ 73,106	\$ -
Urban renewal purposes	-	-	20,666
Debt service	-	-	-
Capital projects	-	-	-
Unassigned	<u>792,981</u>	<u>-</u>	<u>-</u>
TOTAL CASH BASIS FUND BALANCES	<u>\$ 792,981</u>	<u>\$ 73,106</u>	<u>\$ 20,666</u>

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
\$ 530,659	\$ -	\$ 1,434,649
-	-	63,476
10,884	-	472,156
-	-	28,134
-	-	5,237
-	-	99,928
-	-	9,390
-	-	90,699
<u>541,543</u>	<u>-</u>	<u>2,203,669</u>

-	-	395,357
-	-	228,176
-	-	27,740
-	-	307,280
-	-	404,388
531,538	-	592,138
-	285,418	285,418
<u>531,538</u>	<u>285,418</u>	<u>2,240,497</u>

<u>10,005</u>	<u>(285,418)</u>	<u>(36,828)</u>
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<u>-</u>	<u>390,000</u>	<u>390,000</u>
<u>-</u>	<u>390,000</u>	<u>390,000</u>

10,005	104,582	353,172
<u>43,310</u>	<u>(51,500)</u>	<u>639,978</u>
<u>\$ 53,315</u>	<u>\$ 53,082</u>	<u>\$ 993,150</u>

\$ -	\$ -	\$ 73,106
-	-	20,666
53,315	-	53,315
-	53,082	53,082
<u>-</u>	<u>-</u>	<u>792,981</u>
<u>\$ 53,315</u>	<u>\$ 53,082</u>	<u>\$ 993,150</u>

CITY OF OKOBOJI
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGE IN CASH BALANCES
PROPRIETARY FUND
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

	<u>Water</u>
OPERATING RECEIPTS:	
Charges for service	\$ 758,044
Miscellaneous	11,224
TOTAL OPERATING RECEIPTS	<u>769,268</u>
OPERATING DISBURSEMENTS:	
Business type activities	404,142
TOTAL OPERATING DISBURSEMENTS	<u>404,142</u>
EXCESS OF OPERATING RECEIPTS OVER OPERATING DISBURSEMENTS	365,126
NON-OPERATING RECEIPTS (DISBURSEMENTS):	
Bond proceeds	95,000
Debt service	<u>(409,188)</u>
CHANGE IN CASH BALANCE	50,938
CASH BALANCE - BEGINNING OF YEAR	<u>738,134</u>
CASH BALANCE - END OF YEAR	<u>\$ 789,072</u>
CASH BASIS FUND BALANCE:	
Unrestricted	\$ 789,072
TOTAL CASH BASIS FUND BALANCE	<u>\$ 789,072</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF OKOBOJI
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Okoboji is a political subdivision of the State of Iowa located in Dickinson County. It was first incorporated in 1922 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides water utility services for its citizens.

A. Reporting Entity

For financial reporting purposes, City of Okoboji has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units which meet the Government Accounting Standards Board criteria.

Related Organizations - The City participates with the City of Arnolds Park in the operation of Central Water System (System), which is organized under the Code of Iowa, Chapter 28E, and provides water system services to the two municipalities and an unrelated regional water system. The System is a component unit of the City of Arnolds Park, Iowa, as determined by criteria specified by the Governmental Accounting Standards Board. The System is operated by the parties through a joint Board of Directors consisting of one member from each city council, or such other individual as that council shall designate, and a third member appointed and approved by a majority vote of the city councils of the municipalities. Water services purchased by the City from the System during the year ended June 30, 2016 totaled \$165,197, approximately 37% of total System revenues. The financial statements of the System are separately audited and are presented on the cash basis of accounting. Complete financial statements of Central Water System can be obtained from their administrative offices.

The City participates with the City of Arnolds Park in the operation of Arnolds Park/Okoboji Fire and Rescue (Department), which is organized under Chapter 28E of the Code of Iowa and provides fire and rescue services to the two municipalities. The Department is a component unit of the City of Arnolds Park, Iowa, as determined by criteria specified by the Governmental Accounting Standards Board. The Department is operated by the parties through a joint Board of Directors consisting of one member from each city council, or such other individual as that council shall designate, and a third member appointed and approved by a majority vote of the city councils of the municipalities. The City's contributions to the Department during the year ended June 30, 2016 totaled \$81,650, approximately 50% of total Department operating revenue. The financial statements of the Department are separately audited and are presented on the cash basis of accounting. Complete financial statements of Arnolds Park/Okoboji Fire and Rescue can be obtained from their administrative offices.

CITY OF OKOBOJI
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Jointly Governed Organizations - The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Dickinson County Emergency Management Commission, Dickinson County Sanitary Landfill Commission, Dickinson County Water Quality Committee, and Dickinson County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the primary government of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in two categories:

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and the proprietary fund. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements. There are no governmental funds reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

CITY OF OKOBOJI
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Presentation - Continued

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is utilized to account for all resources used in acquisition and construction of capital facilities.

The City reports the following major proprietary fund:

The Enterprise Water Fund accounts for the operation and maintenance of the City's water system.

C. Measurement Focus and Basis of Accounting

The City of Okoboji maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

CITY OF OKOBOJI
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Governmental Cash Basis Fund Balances

In the governmental fund financials statements, cash basis fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in the preceding classification.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2016, disbursements exceeded the amounts budgeted in the community and economic development, capital projects, and business-type activities functions.

F. Management's Review

Management has evaluated subsequent events through the date of the independent auditors' report, which is the date the financial statements were available to be issued.

2. CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2016 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

CITY OF OKOBOJI
NOTES TO FINANCIAL STATEMENTS - Continued

3. BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation notes and bonds are as follows:

Year Ending June 30,	General Obligation Notes and Bonds	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 835,000	\$ 184,697
2018	840,000	164,100
2019	640,000	145,300
2020	620,000	130,783
2021	565,000	118,536
2022 - 2026	2,485,000	390,266
2027 - 2031	1,520,000	141,533
2032	<u>225,000</u>	<u>6,750</u>
Total	<u>\$7,730,000</u>	<u>\$1,281,965</u>

The Code of Iowa requires principal and interest on general obligation bonds and notes be paid from the Debt Service Fund unless payable from a special revenue fund as noted below.

Certain general obligation bonds and notes were issued for the purpose of defraying a portion of the costs of carrying out projects within the urban renewal district of the City. The bonds and notes are payable solely from the tax increment financing (TIF) receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa.

Certain general obligation notes were issued for the purpose of defraying a portion of the costs related to the Central Water System plant expansion project and refunding water revenue bonds. The notes are payable from water customer net receipts and are payable through 2032.

4. PENSION PLAN

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, PO Box 9117, Des Moines, IA 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general information purposes only. Refer to the plan documents for more information.

CITY OF OKOBOJI
NOTES TO FINANCIAL STATEMENTS - Continued

4. PENSION PLAN - Continued

Pension Benefits - A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

CITY OF OKOBOJI
NOTES TO FINANCIAL STATEMENTS - Continued

4. PENSION PLAN - Continued

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% for a total rate of 14.88%. Protective occupation members contributed 6.56% of covered payroll, and the City contributed 9.84% for a total rate of 16.40%.

The City's contributions to IPERS for the year ended June 30, 2016 totaled \$42,931.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the City reported a liability of \$144,759 or its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the City's proportion was .002930% which was an increase of .000488% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City's pension expense, collective deferred outflows of resources, and deferred inflows of resources totaled \$22,171, \$58,071, and \$83,332, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement as follows:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50%, compounded annually, net of investment expense, including inflation.
Wage Growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

CITY OF OKOBOJI
NOTES TO FINANCIAL STATEMENTS - Continued

4. PENSION PLAN - Continued

Actuarial Assumptions - Continued - The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	<u>1</u>	(0.71)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.5%) or 1% higher (8.5%) than the current rate.

	1% Decrease <u>(6.5%)</u>	Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
City's proportionate share of the net pension liability	\$ 385,394	\$ 144,759	\$ (58,186)

CITY OF OKOBOJI
NOTES TO FINANCIAL STATEMENTS - Continued

4. PENSION PLAN - Continued

IPERS' Fiduciary Net Position - Detailed information about the IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

5. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees, and their spouses. There are nine active and no retired members in the plan. Eligible retirees receive health care coverage through the same plans that are available for active employees. Retired participants must be age 55 or older at retirement. Benefits terminate upon attaining Medicare eligibility.

Contributions are required for retiree coverage. The retiree contributions are based on and equal to the historical full cost of active members. Retiree expenses are then offset by retiree contributions.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members range from \$371 to \$1,982. The same monthly premiums apply to retirees. For the year ended June 30, 2016, the City made no contributions to the retiree benefit plan.

6. COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2016 is \$20,508, primarily relating to the General Fund. This liability has been computed based on rates of pay as of June 30, 2016.

CITY OF OKOBOJI
NOTES TO FINANCIAL STATEMENTS - Continued

7. RISK MANAGEMENT

The City of Okoboji is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 746 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses, and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2016 were \$33,740.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss, or series of claims or losses exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims, property loss, or series of claims or losses exhausts the Pool's fund and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

CITY OF OKOBOJI
NOTES TO FINANCIAL STATEMENTS - Continued

7. RISK MANAGEMENT - Continued

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

8. LITIGATION

The City is party to routine legal proceedings and litigation arising in the normal course of governmental operations. These legal proceedings are not expected to have a material adverse impact on the City's financial condition.

OTHER INFORMATION

CITY OF OKOBOJI
BUDGETARY COMPARISON SCHEDULE OF
RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUND
OTHER INFORMATION (UNAUDITED)
YEAR ENDED JUNE 30, 2016

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
RECEIPTS:		
Property Tax	\$ 1,434,649	\$ -
Tax increment financing	63,476	-
Other city tax	472,156	-
Licenses and permits	28,134	-
Use of money and property	5,237	-
Intergovernmental	99,928	-
Charges for service	9,390	758,044
Miscellaneous	90,699	11,224
TOTAL RECEIPTS	<u>2,203,669</u>	<u>769,268</u>
DISBURSEMENTS:		
Public safety	395,357	-
Public works	228,176	-
Culture and recreation	27,740	-
Community and economic development	307,280	-
General government	404,388	-
Debt service	592,138	-
Capital projects	285,418	-
Business type activities	-	813,330
TOTAL DISBURSEMENTS	<u>2,240,497</u>	<u>813,330</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSMENTS	(36,828)	(44,062)
OTHER FINANCING SOURCES - NET	<u>390,000</u>	<u>95,000</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING SOURCES	353,172	50,938
CASH BALANCES - BEGINNING OF YEAR	<u>639,978</u>	<u>738,134</u>
CASH BALANCES - END OF YEAR	<u>\$ 993,150</u>	<u>\$ 789,072</u>

See Accompanying Independent Auditors' Report

<u>Total</u>	<u>Budgeted Amounts</u>		<u>Final to Total Variance</u>
	<u>Original</u>	<u>Final</u>	
\$ 1,434,649	\$ 1,425,361	\$ 1,425,361	\$ 9,288
63,476	-	-	63,476
472,156	399,730	399,730	72,426
28,134	9,800	9,800	18,334
5,237	7,900	7,900	(2,663)
99,928	178,197	178,197	(78,269)
767,434	790,800	790,800	(23,366)
101,923	18,000	18,000	83,923
<u>2,972,937</u>	<u>2,829,788</u>	<u>2,829,788</u>	<u>143,149</u>
395,357	476,319	476,319	80,962
228,176	329,720	383,720	155,544
27,740	35,800	35,800	8,060
307,280	159,700	159,700	(147,580)
404,388	491,434	491,434	87,046
592,138	592,537	592,537	399
285,418	-	284,045	(1,373)
813,330	724,522	724,522	(88,808)
<u>3,053,827</u>	<u>2,810,032</u>	<u>3,148,077</u>	<u>94,250</u>
(80,890)	19,756	(318,289)	237,399
<u>485,000</u>	<u>-</u>	<u>-</u>	<u>485,000</u>
404,110	19,756	(318,289)	<u>\$ 722,399</u>
<u>1,378,112</u>	<u>1,200,314</u>	<u>1,544,378</u>	
<u>\$ 1,782,222</u>	<u>\$ 1,220,070</u>	<u>\$ 1,226,089</u>	

See Accompanying Independent Auditors' Report

CITY OF OKOBOJI
NOTES TO OTHER INFORMATION - BUDGETARY REPORTING (UNAUDITED)
JUNE 30, 2016

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Proprietary Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$338,045. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2016, disbursements exceeded the amounts budgeted in the community and economic development, capital projects, and business-type activities functions.

CITY OF OKOBOJI
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST TWO YEARS *
(IN THOUSANDS)

OTHER INFORMATION (UNAUDITED)

	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability002930%	.002442%
City's proportionate share of the net pension liability	\$ 145	\$ 97
City's covered-employee payroll	\$ 453	\$ 458
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	32.01%	21.23%
IPERS' net position as a percentage of the total pension liability	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

CITY OF OKOBOJI
SCHEDULE OF CITY CONTRIBUTIONS

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST TEN YEARS
(IN THOUSANDS)

OTHER INFORMATION (UNAUDITED)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 43	\$ 43	\$ 43	\$ 39
Contributions in relation to the statutorily required contribution	<u>(43)</u>	<u>(43)</u>	<u>(43)</u>	<u>(39)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's covered-employee payroll	\$ 458	\$ 453	\$ 458	\$ 410
Contributions as a percentage of covered-employee payroll.....	9.37%	9.50%	9.49%	9.41%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 36	\$ 31	\$ 31	\$ 28	\$ 27	\$ 27
<u>(36)</u>	<u>(31)</u>	<u>(31)</u>	<u>(28)</u>	<u>(27)</u>	<u>(27)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
	\$ 371	\$ 391	\$ 376	\$ 379	\$ 371
8.97%	8.23%	7.83%	7.31%	7.12%	7.37%

CITY OF OKOBOJI
NOTES TO OTHER INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2016

Changes of Benefit Terms

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Changes of Assumptions

The 2014 valuation implemented the following refinements as a result of quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included a one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

SUPPLEMENTARY INFORMATION

CITY OF OKOBOJI
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2016

<u>Obligation</u>	<u>Date of Issue</u>	<u>Amount Interest Rates</u>	<u>Originally Issued</u>
<u>General Obligation Bonds and Notes:</u>			
General Obligation Capital Loan Notes	June 1, 2009	3.25 - 4.625%	<u>\$1,500,000</u>
General Obligation Capital Loan Notes	August 30, 2010	3.25%	<u>\$ 125,000</u>
General Obligation Refunding Notes Paid from water	January 1, 2013	2.00 - 3.00%	<u>\$5,945,000</u>
General Obligation Capital Loan Notes	April 24, 2013	1.25 - 2.00%	<u>\$1,140,000</u>
General Obligation Capital Loan Notes	November 12, 2013	1.50 - 3.00%	<u>\$ 750,000</u>
General Obligation Capital Loan Notes Paid from Debt Service Paid from TIF Total	June 2, 2014	2.00%	<u>\$ 685,000</u>
General Obligation Capital Loan Notes	March 23, 2016	1.75 - 2.375%	<u>\$ 485,000</u>
TOTAL			

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
<u>\$ 925,000</u>	<u> </u>	<u>\$100,000</u>	<u>\$ 825,000</u>	<u>\$ 38,857</u>	<u> </u>
<u>30,000</u>	<u> </u>	<u>30,000</u>	<u> </u>	<u>975</u>	<u> </u>
<u>5,070,000</u>	<u> </u>	<u>300,000</u>	<u>4,770,000</u>	<u>109,188</u>	<u> </u>
<u>780,000</u>	<u> </u>	<u>185,000</u>	<u>595,000</u>	<u>14,850</u>	<u> </u>
<u>690,000</u>	<u> </u>	<u>70,000</u>	<u>620,000</u>	<u>16,256</u>	<u> </u>
<u>275,000</u>	<u> </u>	<u>65,000</u>	<u>210,000</u>	<u>5,600</u>	<u> </u>
<u>285,000</u>	<u> </u>	<u>60,000</u>	<u>225,000</u>	<u>5,600</u>	<u> </u>
<u>560,000</u>	<u> </u>	<u>125,000</u>	<u>435,000</u>	<u>11,200</u>	<u> </u>
<u> </u>	<u>\$ 485,000</u>	<u> </u>	<u>485,000</u>	<u> </u>	<u> </u>
<u>\$8,055,000</u>	<u>\$ 485,000</u>	<u>\$810,000</u>	<u>\$7,730,000</u>	<u>\$191,326</u>	<u> </u>

CITY OF OKOBOJI
BOND AND NOTE MATURITIES
JUNE 30, 2016

Year Ending June 30,	General Obligation Bonds and Notes							
	Capital Loan Notes Issued 6-1-2009		Refunding Loan Notes Issued 1-1-2013		Capital Loan Notes Issued 4-24-2013		Capital Loan Notes Issued 11-12-2013	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2017	4.00%	\$100,000	2.00%	\$ 300,000	2.00%	\$190,000	2.00%	\$ 75,000
2018	4.00	100,000	2.00	300,000	2.00	150,000	2.00	75,000
2019	4.00	100,000	2.00	300,000	1.25	50,000	2.125	75,000
2020	4.00	100,000	1.375	300,000	1.25	50,000	2.125	75,000
2021	4.20	100,000	1.50	300,000	2.00	50,000	2.625	75,000
2022	4.375	100,000	1.75	300,000	2.00	50,000	2.625	80,000
2023	4.50	100,000	2.00	325,000	2.00	55,000	3.00	80,000
2024	4.625	125,000	2.00	325,000			3.00	85,000
2025			2.125	325,000				
2026			2.25	350,000				
2027			2.375	350,000				
2028			2.50	370,000				
2029			2.625	255,000				
2030			2.625	220,000				
2031			3.00	225,000				
2032			3.00	225,000				
TOTALS		<u>\$825,000</u>		<u>\$4,770,000</u>		<u>\$595,000</u>		<u>\$620,000</u>

Schedule 2

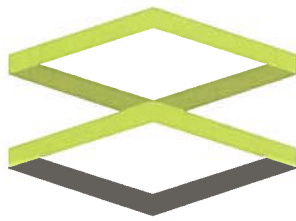
Refunding Notes Issued 6-2-2014		Capital Loan Notes Issued 3-23-2016		
<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Total</u>
2.00%	\$130,000	2.00%	\$ 40,000	\$ 835,000
2.00	175,000	2.00	40,000	840,000
2.00	75,000	2.00	40,000	640,000
2.00	55,000	2.00	40,000	620,000
		2.00	40,000	565,000
				530,000
		1.75	90,000	650,000
				535,000
		2.00	95,000	420,000
				350,000
		2.375	100,000	450,000
				370,000
				255,000
				220,000
				225,000
				<u>225,000</u>
	<u>\$435,000</u>		<u>\$485,000</u>	<u>\$7,730,000</u>

CITY OF OKOBOJI
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
RECEIPTS:					
Property tax	\$ 1,434,649	\$ 1,420,677	\$ 1,390,937	\$ 1,333,043	\$ 1,360,713
Tax increment financing collections	63,476	60,608	58,150	65,660	113,194
Other city tax	472,156	438,182	389,545	419,759	412,601
Licenses and permits	28,134	36,928	23,566	13,886	21,701
Use of money and property	5,237	4,704	4,998	4,222	3,822
Intergovernmental	99,928	83,914	80,582	77,283	76,545
Charges for service	9,390	8,944	9,883	10,686	12,425
Miscellaneous	90,699	99,245	170,285	39,362	51,017
TOTAL RECEIPTS	<u>\$ 2,203,669</u>	<u>\$ 2,153,202</u>	<u>\$ 2,127,946</u>	<u>\$ 1,963,901</u>	<u>\$ 2,052,018</u>
DISBURSEMENTS:					
Operating:					
Public safety	\$ 395,357	\$ 464,260	\$ 457,539	\$ 503,645	\$ 313,753
Public works	228,176	290,387	326,938	301,455	335,113
Culture and recreation	27,740	31,508	30,253	26,226	28,724
Community and economic development	307,280	160,741	145,536	133,180	171,698
General government	404,388	460,889	471,920	446,202	392,922
Debt service	592,138	593,385	1,137,318	1,174,753	621,577
Capital projects	285,418	162,667	1,167,721	48,750	-
TOTAL DISBURSEMENTS	<u>\$ 2,240,497</u>	<u>\$ 2,163,837</u>	<u>\$ 3,737,225</u>	<u>\$ 2,634,211</u>	<u>\$ 1,863,787</u>

CITY OF OKOBOJI
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
RECEIPTS:					
Property tax	\$ 1,065,298	\$ 1,000,356	\$ 908,324	\$ 875,381	\$ 807,564
Tax increment financing collections	42,929	75,310	546,769	471,519	433,158
Other city tax	417,031	364,536	409,698	407,692	421,773
Licenses and permits	15,489	10,956	15,705	17,581	36,315
Use of money and property	5,025	14,721	11,201	11,372	46,095
Intergovernmental	78,638	76,065	68,035	70,252	68,342
Charges for service	11,484	10,931	11,692	13,040	13,868
Miscellaneous	77,154	78,655	45,262	49,285	77,087
TOTAL RECEIPTS	<u>\$ 1,713,048</u>	<u>\$ 1,631,530</u>	<u>\$ 2,016,686</u>	<u>\$ 1,916,122</u>	<u>\$ 1,904,202</u>
DISBURSEMENTS:					
Operating:					
Public safety	\$ 317,850	\$ 345,873	\$ 315,060	\$ 309,038	\$ 273,470
Public works	255,502	301,882	237,557	319,433	240,756
Culture and recreation	25,525	33,202	23,696	25,306	20,341
Community and economic development	153,896	171,530	192,160	208,064	193,782
General government	413,848	363,606	343,442	366,915	356,488
Debt service	667,829	722,655	672,055	604,428	759,187
Capital projects	181,604	1,759,499	653,629	969,634	236,575
TOTAL DISBURSEMENTS	<u>\$ 2,016,054</u>	<u>\$ 3,698,247</u>	<u>\$ 2,437,599</u>	<u>\$ 2,802,818</u>	<u>\$ 2,080,599</u>



WINTER STAVE & CO | LLPTM
Certified Public Accountants

1316 West 18th Street
P.O. Box 175
Spencer, Iowa 51301-0175
Phone 712-262-3117
FAX 712-262-3159

www.winther-stave.com

1004 21st Street #4
P.O. Box 187
Milford, Iowa 51351-0187
Phone 712-338-2488
FAX 712-338-2510

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council
City of Okoboji, IA 51355

We have audited in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, and each major fund of the City of Okoboji, Iowa, as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise the basic financial statements of the City's primary government, and have issued our report thereon dated December 5, 2016. Our report expressed unmodified opinions on the primary government financial statements which were prepared on the basis of cash receipts and disbursement, a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a

deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-16 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Okoboji's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Okoboji's Responses to Findings

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Okoboji during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Winter, Starnes & Co., LLP

December 5, 2016
Spencer, Iowa

CITY OF OKOBOJI
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

Part I: Findings Related to the Financial Statements

Internal Control Deficiency:

I-A-16 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation - We realize with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider a review of our control procedures.

Conclusion - Response accepted.

Instances of Noncompliance:

No matters were noted.

CITY OF OKOBOJI
SCHEDULE OF FINDINGS - Continued
FOR THE YEAR ENDED JUNE 30, 2016

Part II: Other Findings Related to Required Statutory Reporting

- II-A-16 Certified Budget - Disbursements during the year ended June 30, 2016 exceeded the amounts budgeted in the community and economic development, capital projects, and business-type activities functions. In addition, disbursements in the capital projects and community and economic development functions exceeded amounts budgeted prior to the budget amendment. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

- II-B-16 Questionable Disbursements - We noted no expenditures that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-16 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-16 Business Transactions - No business transactions between the City and City officials or employees during the year ended June 30, 2016.
- II-E-16 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- II-F-16 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-G-16 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

CITY OF OKOBOJI
SCHEDULE OF FINDINGS - Continued
FOR THE YEAR ENDED JUNE 30, 2016

Part II: Other Findings Related to Required Statutory Reporting - Continued

II-H-16 Urban Renewal Annual Report - The FY2015 urban renewal annual report was approved and certified to the Iowa Department of Management on or before December 1.

II-I-16 Urban Renewal Tax Reconciliation - We noted Dickinson County had not prepared and could not provide the City with a required Urban Renewal Area TIF Indebtedness/Increment Tax Reconciliation.

Recommendation - Since the County has not prepared the reconciliation, the City should expand procedures to monitor TIF obligations, certification, and reporting requirements.

Response - We will continue to monitor our TIF obligations, certifications, and reporting requirements.

Conclusion - Response accepted.